

## Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 EB-07 AID-05 CIAE-00 COME-00 FRB-03

INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03 SP-02

CIEP-01 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04

CEA-01 FEAE-00 INT-05 L-03 H-02 DODE-00 PA-01 PRS-01

/090 W

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R 192100Z JUN 75

FM AMEMBASSY LA PAZ

TO SECSTATE WASHDC 7050

INFO AMEMBASSY CARACAS

AMEMBASSY BOGOTA

AMEMBASSY QUITO

AMEMBASSY LIMA

AMEMBASSY SANTIAGO

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E.O. 11652: GDS

TAGS:

SUBJECT: BOLIVIAN IN ANDEAN NEGOTIATIONS

SUMMARY. IN MIDST OF GENERAL MOOD OF CRITICISIM OF ACTUAL RESULTS THAT BOLIVIA HAS OBTAINED THUS FAR FROM ANDEAN PACT, PARADOXICALLY BOLIVIAN OFFICIALS CONCERNED WITH INTEGRATION MATTERS TEND TO BE OPTIMISTIC ABOUT ASSIGNMENTS WHICH BOLIVIA WILL BE ABLE TO EXTRACT FROM CURRENT NEGOTIATIONS. THE FOLLOWING INFORMATION THEY HAVE PROVIDED US CONFIDENTIALLY SHOULD BE TREATED WITH CARE. ONE INCIDENTAL BIT OF NEWS IS THAT LOCAL CRITICISM OF PERFORMANCE OF ADOLFO GUTIERREZ MAY RESULT IN HIS REMOVAL AS BOLIVIAN ANDEAN COMMISION REP AND THUS FROM COMMISSION PRESIDENCY. END SUMMARY

1. BOLIVIAN NEGOTIATORS BELIEVE THEY HAVE AGREEMENT THAT BOLIVIA WILL RECEIVE AT LEAST PARTIAL ASSIGNMENT OF THE FOLLOWING PETRO-CHEMICAL PRODUCTS:

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NABANDINA NO. SPANISH NAME OF PRODUCT

29.01.05.12 ESTIRENO (VINIBENCENO; ESTIROLENO, ESTIROL).  
29.02.01.07 CLORURO DE ETILENO (1:2 DICLOROETANO).  
29.02.02.01 CLORURO DE VINILO (MONOCLORO-ETILENO).  
29.04.03.02 PROPYLENGLICOL (PROPANODIOL).  
29.06.01.01 FENOL (ACIDO FENICO).  
29.08.04.03 DIPROPYLENGLICOL.  
29.08.04.99 ETERES DE LOS PROPYLENGLICOLES.  
29.09.01.02 EPOXIDO DE PROPILENO (OSICO DE PROPILENO).  
29.15.21.04 ANHIDRIDO FTALICO.  
39.01.07.00 POLIPROPYLENGLICOLES.  
39.02.01.03 POLIETILENO DE BAJA DENSIDAD.  
39.02.01.00 POLIETILENO DE ALTA DENSIDAD  
39.02.02.00 POLIESTIRENOS.  
39.02.05.00 CLORURO DE POLIVINILO TIPO SUSPENSION, SIN CARGA  
PLASTIFICANTES, COLORANTES U OTRAS ADICIONES.  
39.02.07.00 CLOROACETATO DE POLIVINILO, SIN CARGA,  
PLASTIFICANTES, COLORANTES U OTRAS ADICIONES.  
39.02.09.00 POLIPROPILENO.

2. ONE OBVIOUSLY PLEASED OFFICIAL EXPLAINED THAT THESE ASSIGNMENTS WOULD REPRESENT 10 TO 11 PER CENT OF ANDEAN MARKET. ANOTHER SAID FOUR OR FIVE OF MOST IMPORTANT PRODUCTS LISTED ARE WIDELY USED BUT INVOLVE RELATIVELY SIMPLE TECHNOLOGY AND THUS APPROPRIATE FOR BOLIVIA WITH ITS SMALL INDUSTRIAL BASE. SEVERAL OFFICIALS FELT BOLIVIA WILL RECEIVE SEVERAL CONCRETE SPECIAL ADVANTAGES IN PETROCHEMICAL FIELD. THESE WOULD APPARENTLY INVOLVE: (1) AGREEMENT WITH VENEZUELA THAT IT WILL WITHDRAW FROM PRODUCTION FOR ANDEAN MARKET OF CERTAIN ASSIGNMENTS IT SHARES WITH BOLIVIA AS SOON AS BOLIVIAN PRODUCTION BEGINS; (2) FOR SEVERAL OTHER PRODUCTS MARKET WILL BE DIVIDED IN THIRDS BETWEEN VENEZUELA, ECUADOR AND BOLIVIA WITH SPECIALLY ESTABLISHED COMMISSION SUPERVISING DIVISION; AND (3) FOR ALL PETROCHEMICAL PRODUCTS VALUATION FOR COMMON EXTERNAL TARIFF WILL BE MADE ON BASIS OF CIF LA PAZ TO COMPENSATE FOR HIGHER BOLIVIAN TRANSPORT COSTS.

3. OFFICIAL KNOWLEDGEABLE IN PETROLEUM AFFAIRS BELIEVES THAT FINAL IMPASSE ON PETROCHEMICAL ASSIGNMENTS WILL BE EASILY BROKEN. HE CHARACTERIZED AS MINOR, DISPUTE CAUSED BY VENEZUELAN DESIRE TO SHARE IN MARKET INCREASE OF PRODUCT ASSIGNED IN EARLY NEGOTIATIONS EXCLUSIVELY TO COLOMBIA AND AS MAJOR, RESISTANCE TO VENEZUELAN DESIRE

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TO CREATE INDUSTRY ORIENTED TOWARD NON-ANDEAN MARKET. BOLIVIA SUPPORTS VENEZUELA ON LATTER ISSUE BECAUSE OF ABOVE CONCESSIONS IT CONFIDENT OF RECEIVING.

4. BOLIVIA APPARENTLY BEGAN NEGOTIATIONS OF AUTOMOTIVE SECTOR ON BASIS OF AN AT LEAST INFORMAL AGREEMENT BETWEEN MERCEDES-BENZ, ARGENTINA AND THE BOLIVIAN ARMED FORCES DEVELOPMENT CORPORATION (COFADENA). BOLIVIA CONSEQUENTLY SOUGHT B-2 TRUCK ASSIGNMENT

(4.5 TO 9 TONS). OFFICIALS BELIEVE THAT THEY ARE ASSURED OF RECEIVING B-2 TRUCKS PLUS AT LEAST FOLLOWING APPROPRIATE TRUCK PARTS: ENGINES, TRANSMISSION, STEERING, PISTONS, PISTON RINGS AND PINS, MAIN AND CONNECTING ROD BEARINGS. THEY ARE STILL SEEKING EITHER A3 OR A4 AUTOMOBILE, LIFT TRUCKS, TRACTORS AND GASOLINE ENGINES UP TO 10 H.P.

5. SINCE NEGOTIATIONS BEGAN EMPHASIS HAS TURNED TO CREATING COMMON MARKET FOR VEHICLE PARTS. THUS NEGOTIATING OFFICIALS BELIEVE THAT MERCEDES BENZ/COFADENA ARRANGEMENT WILL NOT PROSPER BECUASE FOR ECONOMIC OPERATIONS BOLIVIA WILL HAVE TO MANUFACTURE PARTS COMPATIBLE WITH MODELS CHOSEN BY OTHER PACT MEMBERS AND MERCEDES BENZ PARTS TOO DISTINCT. ONE OFFICIAL MENTIONED INTENSE PRESSURE BY FIRMS IN CLOSEST COMPETITION FOR ASSIGNMENTS: FORD, GM, CHYRSLER, VOLKSWAGEN AND TOYOTA.

6. COMMENT. PICTURE ON PETROCHEMICAL SECTOR SEEMS RELATIVELY CLEAR FROM THIS VANTAGE POINT. PETROLEUM EXPERT REMARKED THAT PLANTS TO BE BUILT TO COVER ASSIGNMENTS WILL BE 80 PER CENT RELIANT ON EXPORT MARKET. HE CONCLUDED THAT ASSIGNMENTS WILL INCREASINGLY TIE BOLIVIA TO PACT. ON OTHER HAND, AUTOMOTIVE SECTOR NEGOTIATIONS LESS CLEAR. BOLIVIA FOR EXAMPLE HAS ONLY ONE PLANT IN SECTOR WHICH NOW ASSEMBLES FIAT TRACTORS IN 40 - 120 H.P. RANGE. BOLIVIANS SEEKING INSTEAD ASSIGNMENT FOR BOTH SMALLER AND LARGER ENGINES BUT NOT SIZE FIAT NEEDS.

7. THREE SEPARATE STUDIES OF BOLIVIAN PARTICIPATION IN ANDEAN GROUP NOW UNDERWAY: ONE BY JUNTA, ANOTHER BY PRESIDENTIAL COMMISSION AND THIRD BY PRIVATE ENTERPRISE CONFEDERATION (SEE FOLLOWING AIRGRAM). THIS HAS SPAWNED CRITICISM OF FEW VISIBLE RESULTS OF BOLIVIAN MEMBERSHIP IN PACT. EMBASSY HAS LEARNED FROM WELL PLACED MIDDLE-LEVEL GOVERNMENT SOURCE THAT CRITICISM OF CONFIDENTIAL

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ADOLFO GUTIERREZ FOR HISFAILURE TO PUSH COHERENT BOLIVIAN POSITION AND FOR HIS LEADERSHIP AS COMMISSION PRESIDENT HAS RAISED POSSIBILITY THAT HE WILL SOON BE REMOVED. GUTIERREZ HAS HAD, HOWEVER, PRESIDENT BANZER'S SUPPORT UP UKNTIL NOW. MOREOVER, THERE IS OBVIOUS RELUCTANCE TO REMOVE HIM IN MIDST OF HIS COMMISSION TERM. STEDMAN

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